



IMPACT OF COVID-19 ON LABOUR AND EMPLOYMENT: A NARRATIVE REVIEW

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ABSTRACT

The novel coronavirus disease (COVID-19) has been one of the greatest public health emergencies of all time. Besides, the colossal damage to the health and well-being of individuals, COVID-19 had a significant economic impact. Particularly hard hit was the employment sector, which manifested in reduced wage rates and higher unemployment. This paper attempts to provide a comprehensive review of the profound effects of the COVID-19 pandemic on the labour and employment sector. It explores the multifaceted consequences of the pandemic, including changes in employment patterns, job losses, shifts in labour demand and supply, wage disparities, and the adoption of remote work practices. Overall, we find that COVID-19 led to a widespread increase in the unemployment rate, and increased the average hours of productivity. Recommendations include building a resilient system that is able to absorb the shocks similar to COVID-19 in future, in addition to developing safer workplaces and strengthening employment and social protection systems.

INTRODUCTION

The novel coronavirus-19 disease (COVID-19), which began in Wuhan, China in 2019, wreaked havoc across the world putting everyone in danger. As of today, there are a total of 768 million cases of COVID-19 that have occurred globally, leading to 6.9 million deaths (WHO, 2023). It has been one of the most colossal health emergencies that has struck humanity. A major characteristic of the COVID-19 pandemic was that its effects far transcended the health of the population.

Globally, governments resorted to actions such as lockdowns and closure of various establishments such as schools, colleges, hotels, industries or other places which could have led to the aggregation of people in close contact (BBC, 2023). While this was justified on the grounds of reducing transmission, one of the fallouts of this policy intervention was a shutdown of the global and national economies. Globally, the economic cost of COVID-19 has been valued at about 11 trillion US Dollars (WEF, 2020).

The economic and social disruption, thus caused by this pandemic has been devastating. Tens of millions of people became at risk of falling into extreme poverty. One of the most badly hit sectors was the labour and employment sector. People lost their jobs and many of the poor were unemployed. This unemployment led to financial crises both at the individual and family levels, as well as at the societal level. The economic hardship as a result of the COVID-19 pandemic had a multitude of effects at the household level. Many people became homeless due to not being able to pay for their houses and children had to be dropped out of school. The overall developmental agenda at the global level met with a huge hit as a result of the COVID-19 pandemic.

This research paper aims to provide a comprehensive review of the profound effects of the COVID-19 pandemic on the labour and employment sector. It explores the multifaceted consequences of the pandemic, including changes in employment patterns, job losses, shifts in labour demand and supply, wage disparities, and the adoption of remote work practices. Furthermore, this paper examines the short-term and long-term implications of the pandemic on the labour market, highlighting the challenges faced by different segments of the workforce and discussing potential policy responses to mitigate the negative consequences.

METHODS

A review of existing evidence was undertaken in Google Scholar, and PubMed databases to identify published articles that had evaluated the impact of the COVID-19 pandemic on the issues related to the extent and patterns of employment, shifts in employment patterns, as well as financial hardship as a result of the same. Secondly, we undertook a review of the publications and datasets available on the websites of international organizations that have a notable role in the overall management of COVID-19 as well as employment-related issues. These organizations included the World Health Organization (WHO), the International Labour Organization (ILO), the World Bank and the United Nations Development Fund (UNDP). Lastly, a bibliographic search of the publications in the form of journal articles and reports was also carried out to identify additional sources of evidence.

RESULTS

In 2020, 8.8 per cent of global working hours were lost relative to the fourth quarter of 2019, equivalent to 255 million full-time jobs. Working-hour losses

were particularly high in Latin America and the Caribbean, Southern Europe and Southern Asia. Working-hour losses in 2020 were approximately four times greater than during the global financial crisis in 2009 (ILO, b, 2023).

Breaking down these annual figures, revised quarterly estimates reveal how the situation evolved throughout the year. Estimates of working-hour losses in the third quarter of 2020 have been revised substantially downwards to 7.2% (from 12.1% in the sixth edition of the ILO Monitor), reflecting a stronger-than-expected rebound in working hours, especially in lower-middle-income countries (LMIC). In the fourth quarter, global working hours declined by 4.6%, equivalent to 130 million full-time jobs.

Globally, the decline in working hours in 2020 translated into both employment losses and a reduction in working hours for those who remained employed, with significant variation across regions. Employment losses were highest in the Americas, and lowest in Europe and Central Asia, where job retention schemes have supported the reduction in working hours, especially in Europe. In total, there were unprecedented global employment losses in 2020 of 114 million jobs relative to 2019. In relative terms, employment losses were higher for women (5.0%) than for men, and for young workers (8.7%) than for older workers. Employment losses in 2020 translated mainly into rising inactivity rather than unemployment. Accounting for 71% of global employment losses, inactivity increased by 81 million, which resulted in a reduction of the global labour force participation rate by 2.2 percentage points in 2020 to 58.7%. Global unemployment increased by 33 million in 2020, with the unemployment rate rising by 1.1 percentage points to 6.5%.

Employment around the world is estimated to have declined in 2020 by 114 million relative to the level in 2019. However, this estimate understates the full impact, which can be gauged by looking at the difference in 2020 relative to the employment level that had been anticipated in the absence of the pandemic. This “no pandemic” scenario assumes the long-term trend in the labour force participation rate to hold in 2020 and that unemployment rates in 2020 are equal to their 2019 values. Global employment in this scenario is 30 million higher than in 2019, mainly owing to the growth of the working-age population. Applying this “no pandemic” scenario, the estimated global employment loss in 2020 is considerably larger, at 144 million jobs. At the same time, as discussed below, working-hour losses in 2021 are expected to translate more into employment losses than into reduced working hours. Compared with the “no pandemic” trend, the global employment loss is projected to decline from 144 million jobs in 2020 to 68 million in 2021 (if the baseline scenario is assumed for the projections).

DISCUSSION & CONCLUSION

The pandemic has exposed deep-rooted labour market fragilities and structural inequalities, with low-paid workers, young people, women, ethnic minorities, the self-employed and informal and fixed-term workers among the hardest hit by the crisis. Thus, policymakers must begin to think beyond policies for the recovery and start on the task of building a future of work that is safer, fairer, greener and more effective in cushioning the consequences of future crises on jobs and incomes.

“Building back better” calls for increased policy coherence, in particular between economic, employment and social policies and a whole-of-society approach. It also requires that support reaches those most in need and that

improving the situation of the most disadvantaged and vulnerable groups in the labour market receives the highest attention to avoid a further rise in inequalities. Some general policy orientations can be identified as part of this approach, which would have to be tailored at the country and, sometimes, local and/or sectoral levels to account for each specific situation as well as national institutional settings and circumstances.

The first and foremost would be to enable a rapid response to economic shocks, through a mix of counter-cyclical macroeconomic policies, adequate income support for all workers, and the capacity to rapidly expand job-retention schemes. Secondly, it requires strengthening the institutions of work with action on a number of fronts. These include improving working conditions. Revisiting existing regulatory frameworks to ensure equal treatment of workers regardless of their employment status and ensuring adequate working conditions for all workers should be an integral part of building back better. It also involves modernising employment services and making them more flexible. Strengthening labour market resilience requires stronger institutional capacity to scale up key measures quickly while maintaining service quality. This implies that when a crisis hits, the policy infrastructure should already be in place and can be scaled up quickly.

Thirdly, there is a need for strengthening employment and social protection systems so that they cover all workers and ensure that they focus on risk prevention as much as on helping people cope with problems when they materialise. Fourthly, promoting transitions from the informal to the formal economy by a mix of policies to make work in the formal economy more attractive than in the informal economy is an immediate requirement. Fifth, policy initiatives to advance gender equality in the labour market will need to be reinforced in a number of areas to strengthen care leave policies and family-friendly working-time arrangements and improve access to affordable childcare services and out-of-school services; promote women's entrepreneurship and participation in managerial and leadership positions; and promote home and work environments free from violence and harassment.

Finally, concerted actions are needed to promote lifelong learning opportunities for all to match changing skills needs. A particular focus should be put on strengthening digital skills, especially for people with low digital literacy to enhance opportunities to work and learn online.

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